

2.4 TIF Termination

The termination of a TID is just as important as the steps to create or amend the TID. The steps must be completed in a timely manner according to deadlines established by statute. This section describes those steps, and explains how a municipal official would know that it is time to terminate their TID.

STEP ONE: Termination of TID by Resolution

The official means for terminating a TID is by official resolution from the governing body of the municipality. Whether the TID has reached its maximum life, or has received tax increments that total more than the project costs, or the municipal governing body chooses to dissolve for some other reason, the termination resolution is required.

A sample of the termination resolution is available on the [DOR TIF Termination](#) page. According to statute, the Department of Revenue must be notified of the termination within 60 days of adopting the termination resolution. It is the date that the notification is received, not the date of the resolution, that determines the effective date of the termination. A copy of the termination resolution should be sent along with the PE-209 (see step 2) and the PE-223 (see step 3) to the Department of Revenue.

TID Maximum Life

TID Type	Max Life*
Any before 10/95	27 years
Blight/Rehab after 10/95	27 years
Industrial after 10/95 but before 10/04	23 years
Ind. or Mixed-use after 10/04	20 years

*Amendment may have been adopted that will extend the life of a TID beyond these lives. See Section 2.2 TIF Amendment for details.

STEP TWO: Notification of DOR

Within 60 days of adoption of the termination resolution, the municipal clerk must notify the Department of Revenue that the TID has been terminated. This notification establishes the effective termination date, and determines the timeframe for completing the final audits of the TID. This notification can be sent by mail, fax, e-mail or a phone call.

When filling out the Tax Increment Certification form in the termination year, the clerk must check the "NO INCREMENT" box in Section 1. This tells the DOR not to certify another increment for the TID. Beneath this line, the clerk must then check the box that indicates the reason for the termination:

- The first choice indicates that the TID has reached its maximum life and therefore had to be terminated, or that for some other reason the city or village chose to terminate this TID before total increments exceeded total costs. If debt remains at this point it becomes the obligation of the municipality to pay for it with general tax revenue.
- The second choice indicates that the TID has collected tax increments that equal or exceed the total project costs for the TID. This includes any projects that were added as part of a project plan amendment. Any tax increment revenue that has been received in excess of project costs must be returned to the overlying taxing

jurisdictions according to their apportionment of the property tax levy. This transaction should be reflected in the closing audit conducted upon termination (see below).

Both options ask for the clerk to submit the PE-223, establishing the deadline for submitting the required final accounting of the TID to DOR. See "Step 3" below for more information.

The text at the top of Section 1 explains that the date of notification determines the effective date of the termination. If the DOR is notified before May 15 of any year, the effective date of termination is the date notification is received. If the notification is between May 15 and December 31, the effective date is the following January 1.

STEP THREE: Completion of TID Final Accounting

Upon notifying the Department of Revenue that a TID has been (or will be) terminated, the clerk must also submit a [Final Accounting Agreement](#) (PE-223). This form establishes the deadline for submitting the final TID accounting and audit to the DOR. The PE-223 explains what information must be contained in the accounting by law. Sample audits and accounting reports are available on the DOR website. The final accounting report will be submitted electronically.

Please Note: Failure to complete the final accounting of a terminated TID within the agreed time frame will delay the certification of the base value of future TIDs.

It is essential that the account balance be zero (\$0) upon termination of a TID. The final audit should show that all increment revenue collected by the municipality was used to pay for project costs, and any increment revenue in excess of the project costs should be returned to the overlying taxing jurisdictions from which they came. If outstanding debt remains upon termination of a TID it becomes the responsibility of the municipality. The transfer of general purpose revenue to cover this debt should be shown in the audit, resulting in a final account balance of \$0.

In rare occasions it may be beneficial for the TID to be terminated before all of the projects have been paid for; in such cases the TID account may have a positive balance upon termination. This balance may be placed into some sort of trust fund, and used to pay the costs when they come due. Each municipality, in consultation with their attorney and accountant, should make the decision for themselves as to whether this procedure is right for them.